

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
1998 Biennial Review – Streamline Contributor Reporting	)	CC Docket No. 98-171
Requirements Associated with Administration of	)	
Telecommunications Relay Service, North American	)	
Numbering Plan, Local Number Portability, and Universal	)	
Service Support Mechanisms	)	
	)	
Telecommunications Services for Individuals with Hearing	)	CC Docket No. 90-571
and Speech Disabilities, and the Americans with	)	
Disabilities Act of 1990	)	
	)	
Administration of the North American Numbering Plan	)	CC Docket No. 92-237
and North American Numbering Plan Cost Recovery	)	NSD File No. L-00-72
Contribution Factor and Size	)	
	)	
Numbering Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Numbering Portability	)	CC Docket No. 95-116
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

**NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION  
INITIAL COMMENTS**

The National Telecommunications Cooperative Association (NTCA)<sup>1</sup> hereby files its initial comments in response to the Federal Communications Commission’s (Commission or FCC) Further Notice of Proposed Rulemaking (FNPRM) in the above-captioned proceeding.<sup>2</sup>

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<sup>1</sup> NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents 560 rural rate-of-return regulated incumbent local exchange carriers (ILECs). All of its members are full service local exchange carriers and many members provide wireless, cable, Internet, satellite and long distance services to their communities. Each member is a “rural telephone company” as defined in the Communications Act of 1934, as amended (Act). NTCA members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

NTCA urges the Commission to take a “wait and see” approach concerning the revised revenue-based universal service fund (USF) contribution mechanism. The Commission should allow sufficient time to determine whether the revised mechanism deems further consideration of connection-based USF assessment proposals unwarranted. The new revenue-based system has increased the wireless safe harbor from 15 to 28.5 percent of wireless carrier total end-user revenues. This will add a significant infusion of revenue into the revenue-base from which the USF contribution factor is determined. This may in turn lower and stabilize the contribution factor. After monitoring the level of the contribution factor and growth of universal service support distributed to competitive eligible telecommunications carriers (CETCs), the Commission may conclude that only minor adjustments to the revenue-based system are needed to ensure the long-term sustainability and predictability of universal service support.<sup>3</sup>

The Commission should also refrain from further changes to the USF contribution mechanism until it has implemented its final rules in its universal service redefinition

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<sup>2</sup> *In the Matter of Federal-State Board on Universal Service*, CC Docket No. 96-45, *1998 Biennial Regulatory Review – Streamline Contributor Reporting Requirements Associated with the Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms*, CC Docket No. 98-171, *Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990*, CC Docket No. 90-571, *Administration with the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size*, CC Docket No. 92-237, NSD File No. L-00-72, *Numbering Resource Optimization*, CC Docket No. 99-200, *Telephone Number Portability*, CC Docket No. 95-116, *Truth-in-Billing and Billing Format*, CC Docket No. 98-170, FCC 02-329, Report and Order and Second Further Notice of Proposed Rulemaking (rel. Dec.13, 2002) (Second FNPRM).

<sup>3</sup> Notwithstanding the Commission’s final decision concerning the contribution mechanism, the Commission should continue to collect contributions for the Telecommunications Relay Service (TRS), Local Number Portability (LNP), Numbering Administration (NA), and wireline regulatory fees programs from carriers annually based on annual revenues. Paying an annual contribution is the most efficient and cost effective means to collect revenues for these support programs. Any change to the contribution process that would require monthly billing for these programs would likely result in a significant increase in carrier administrative costs. The Commission should therefore avoid imposing this additional cost burden on carriers by continuing to collect these contributions on an annual basis.

proceeding<sup>4</sup> and universal service portability proceeding.<sup>5</sup> The potential rule changes in these two proceedings will likely further assist the Commission in managing the overall size of the fund and help stabilize the contribution factor.

In addition, the Commission should use this opportunity to resolve the outstanding issue of whether to classify broadband Internet access service offered by telecommunications carriers as “telecommunications service” regulated under Title II or as “information service” regulated under Title I of the Act. Once the Commission determines the appropriate classification, NTCA urges the Commission to exercise its statutory authority to include cable, wireless and satellite broadband Internet access providers into the pool of contributors to universal service. Expanding the list of contributors is essential to the continued success of universal service and to the establishment of regulatory parity among all providers of high-speed access to the Internet.

Finally, the CoSUS connection-based proposal and the telephone number proposal under consideration in the FNPRM are inherently inequitable and discriminatory. The two proposals would allow IXC to evade universal service assessments for the overwhelming majority of their retail end-user revenues and services. The CoSUS proposal narrowly defines “connections” as equipment or physical/wireless connections to the customer rather than an actual business-to-customer retail relationship. The telephone number proposal narrowly defines “connections” as telephone numbers assigned to customers. Given that IXCs most often do not have direct end-to-end physical connections with the customer and IXCs typically do not assign telephone numbers to customers, these selective definitions would allow IXCs to circumvent the mandatory

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<sup>4</sup> *In the Matter of Federal-State Joint Board on Universal Service Seeks Comment on Review of the Definition of Universal Service*, Public Notice, CC Docket 96-45, FCC 01J-1 (rel. Aug. 21, 2001) (*Universal Service Redefinition Proceeding*).

requirement in section 254(d) that “all providers of telecommunications services should make an equitable and non-discriminatory contribution” to universal service.

By redefining universal service, tightening the portability rules and expanding the list of contributors during its review and evaluation of the effects of its most recent changes to the revenue-based system, the Commission will slow the growth of the high-cost universal service fund, stabilize the contribution factor and may warrant further consideration of connection-based USF contribution proposals unnecessary.

Respectfully submitted,

NATIONAL TELECOMMUNICATIONS  
COOPERATIVE ASSOCIATION

By: /s/ L. Marie Guillory  
L. Marie Guillory

By: /s/ Daniel Mitchell  
Daniel Mitchell

Its Attorneys

4121 Wilson Boulevard, 10<sup>th</sup> Floor  
Arlington, VA 22203  
(703) 351-2000

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<sup>5</sup> *In the Matter of the Federal-State Joint Board on Universal Service Seeks Comment on Certain Rules Relating to High-Cost Universal Service Support and the ETC Designation Process*, Public Notice, CC Docket 96-45, FCC 03J-1 (rel. Feb. 7, 2003).

## **CERTIFICATE OF SERVICE**

I, Rita H. Bolden, certify that a copy of the foregoing Initial Comments of the National Telecommunications Cooperative Association Re: FCC's Report and Order and Second Further Notice of Proposed Rulemaking, released December 13, 2002, in CC Docket No. 96-45, CC Docket No. 98-171, CC Docket No. 90-571, CC Docket No. 92-237/ NSD File No. L-00-72, CC Docket No. 99-200, CC Docket No. 95-116, and CC Docket No. 98-170, was served on this 28th day of February 2003 by first-class, U.S. Mail, postage prepaid, to the following persons:

Chairman Michael K. Powell  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8B201  
Washington, D.C. 20554

Commissioner Kathleen Q. Abernathy  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8-A204  
Washington D.C. 20554

Commissioner Kevin J. Martin  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8-C302  
Washington, D.C. 20554

Commissioner Michael J. Copps  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8-A302  
Washington, D.C. 20554

Commissioner Jonathan S. Adelstein  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8-C302  
Washington, D.C. 20554

Ms. Sheryl Todd  
Telecommunications Access Policy Div.  
Wireline Competition Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 5-B540  
Washington, D.C. 20554

Qualex International  
Portals II  
445 12th Street, S.W., Room CY-B402  
Washington, D.C. 20554

/s/ Rita H. Bolden  
Rita H. Bolden